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TO: Pamela Turner, Director
Detroit Water & Sewerage Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director **ly.**

DATE: May 3, 2010

RE: 2010-2011 Budget Analysis (Sewerage Department)

Attached is our budget analysis regarding your department's budget for the upcoming 2010-2011 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, May 6, 2010 at 3:00 p.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Norman White, Chief Financial Officer
Pam Scales, Budget Department Director
Ron Chenault, Budget Department Team Leader
Kamau Marable, Mayor's Office

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Sewerage Department (42)

FY 2010-2011 Budget Analysis by the Fiscal Analysis Department

Summary

The Sewerage Department is an Enterprise Agency that is administratively part of the Detroit Water and Sewerage Department (DWSD). It is maintained as a separate fund in the City of Detroit's accounting system.

The Mayor's Proposed Budget for 2010-2011 includes total appropriations and revenues of \$506,485,672, leaving a net tax cost to the City of \$0. This is an increase of \$16,352,175 over the current year's budget of \$490,133,497.

2009-2010 Surplus/Deficit

There is no projected surplus or deficit for the Sewerage Department for fiscal year 2009-2010.

Overtime

The Mayor's Proposed Budget for 2010-2011 includes \$6,294,875 for overtime in the Sewerage Department. This amount is an increase of \$136,140 more than the 2009-2010 budget of \$6,158,735. As of March 31, 2010, the Sewerage Department has expended \$5,283,228 in overtime.

Personnel and Turnover Savings

There are no projected personnel and turnover savings for fiscal year 2010-2011.

<u>Appropriation/Program</u>	<u>Redbook</u>	<u>Filled</u>	<u>Mayor's</u>	<u>Over/(Under)</u>	<u>Mayor's</u>
	<u>Positions</u>	<u>Positions</u>	<u>Budget</u>	<u>Actual to</u>	<u>Recommended</u>
	<u>FY 2009-10</u>	<u>3/31/2010</u>	<u>FY 2010-11</u>	<u>09/10 Budget</u>	<u>Turnover</u>
Sewerage (42)					
421030 Document Management	7	5	5	(2)	\$ -
421070 Safety	6	1	3	(5)	\$ -
421090 Ofc. Of Program Management Asst.	17	15	9	(2)	\$ -
421095 Capital Management	0		6		
421100 Print Shop	3	2	2	(1)	\$ -
00089 Administration	33	23	25	(10)	\$ -
425010 Ofc. of Asst. Dir. of Wastewtr. Opns.	6	3	6	(3)	\$ -
425020 Plant Administration	882	546	759	(336)	\$ -
425140 I.W.C. Field Monitoring	112	67	112	(45)	\$ -
425395 Purital / Fenkell	0	0	29	0	
00162 Wastewater Plant Operations	1,000	616	906	(384)	\$ -
05831 Engineering Services-Sewage	124	75	119	(49)	\$ -
42XXXX Leave of Absence	0	6	0	6	\$ -
42XXXX Worker's Comp.	0	(4)	0	(4)	\$ -
42XXXX Unmatched Positions	0	1	0	1	\$ -
TOTAL	<u>1,157</u>	<u>717</u>	<u>1,050</u>	<u>(440)</u>	<u>\$ -</u>

Sewerage (42)

Budgeted Professional and <u>Contractual Services by Activity</u>	FY 2009-10 <u>Budget</u>	FY 2010-11 <u>Recommended</u>	Increase <u>(Decrease)</u>
Administrative Services	\$ 3,340,000	\$ 2,840,000	\$ (500,000)
Public Affairs Group-Sewerage	\$ -	\$ -	\$ -
IT & System Integration	\$ -	\$ -	\$ -
Financial Services	\$ -	\$ -	\$ -
Asset Management	\$ 3,498,605	\$ 9,021,000	\$ 5,522,395
Engineering Services-Sewage	\$ -	\$ -	\$ -
Sewer Operations	\$ 21,918,638	\$ 23,106,795	\$ 1,188,157
Sewerage-Capital & Debt Service	\$ -	\$ -	\$ -
Total	<u>\$ 28,757,243</u>	<u>\$ 34,967,795</u>	<u>\$ 6,210,552</u>

Projected Layoffs and Position Changes

There are no proposed layoffs for the Sewerage Department in the Mayor's Proposed Budget for 2010-2011. However, the Mayor's Proposed Budget for 2010-2011 does include the removal of 107 vacant positions.

Significant Funding Changes by Appropriation

<u>Appro.</u>	<u>Program</u>	
00089	Administration	The Mayor's Proposed Budget for 2010-2011 includes \$18,381,709 for the Administrative Services of the Sewerage Department, which represents an increase of \$9,609,004 from the 2009-2010 Budget of \$8,772,705. The increase is mainly due to an increase in the expense transfer clearing account of \$8,772,831 and an increase in purchased services-staff services of \$1,191,189.
00161	Asset Maintenance Group	<p>The Mayor's Proposed Budget for 2010-2011 includes \$27,768,774 for the Asset Maintenance Group, which represents an increase of \$6,772,411 from the 2009-2010 Budget of \$20,996,363.</p> <p>The increase is due to an increase of \$5,522,395 in Contract Services-Other Misc., a \$635,000 increase in Repair & Maintenance- Equipment and a \$350,000 increase in Purchased Services-Apprentice. The remaining increase is made up of small increases in a variety of areas.</p>
00162	Wastewater Plant Operations	<p>The Mayor's Proposed Budget for 2010-2011 includes \$141,035,566 for Wastewater Plant Operations, which represents an increase of \$1,642,421 from the 2009-2010 budget of \$139,393,145.</p> <p>The increase is partially due to increases of \$1,813,329 in</p>

Wages, \$2,200,000 in Purchased Services-Other and \$1,188,438 in Contract Services-Miscellaneous. These increases are offset by a decrease of \$3,316,462 in Salaries and decreases in several other categories.

00168 & 12139	Bond Principle & Interest Redemption Fund & Sewerage Bond Fund Series 2007	The Mayor's Proposed Budget for 2010-2011 includes \$254,606,300 for Bond Principle & Interest Redemption Fund and Sewerage Bond Fund Series 2007, which represent a decrease of \$7,026,300 from the 2009-2010 budget of \$261,632,600.
00169	Sewerage System Improvements	The Mayor's Proposed Budget for 2010-2011 includes \$25,995,800 for Sewerage System Improvements, which represents an increase of \$3,764,700 from the 2009-2010 budget of \$22,231,100.
		The increase is due to an increase in the Miscellaneous Expenses.
00443	Extraordinary Repairs and Replacements	The Mayor's Proposed Budget for 2010-2011 includes \$0 for Extraordinary Repairs and Replacements. This represents a decrease of \$25,500 from the previous year.
		The decrease is due to a decrease of \$25,500 in Miscellaneous Expenses.

Significant Revenue Changes

<u>Revenue</u>	<u>Project</u>	
00838	State Revenue Sharing	The Mayor's Proposed Budget for 2010-2011 includes \$47,460,200 for State Revenue Sharing, which represents a decrease of \$16,157,700 from the 2009-2010 budget of \$63,617,900.
		The decrease is primarily due to a decrease in Earning On Investments of \$3,497,700 and a decrease for Project Borrowings of \$12,660,000 included in the Mayor's 2010-2011 Proposed Budget
04828	Revenue Sewerage Receiving	The Mayor's Proposed Budget for 2010-2011 includes \$449,890,572 for Revenue-Sewerage Receiving which represents an increase of \$29,747,275 from the 2009-2010 budget of \$420,143,297.
		The increase is due to an increase of \$11,232,000 in revenue for Sewage Treatment Sales-Retail and an increase of \$15,884,100 in revenue for Sewage Treatment-Wholesale.
04829	Revenue-Sewerage Operation-	The Mayor's Proposed Budget for 2010-2011 includes revenue of \$1,921,600, an increase of \$886,700 from

	Maintenance	the 2009-2010 budget of \$1,034,900. This is due to an increase from the earnings on investment.
00162	Wastewater Plant Operations	The Mayor's Proposed Budget for 2010-2011 includes revenue of \$432,700. No revenue was budgeted for this for 2009-2010.
00168	Interest and Bond Redemption	The Mayor's Proposed Budget for 2010-2011 includes revenue of \$5,034,400, an increase of \$1,099,100 from the 2009-2010 budget of \$3,935,300. The increase is due to an increase from the earnings on investments.
00169	Sewerage System Improvements	The Mayor's Proposed Budget for 2010-2011 includes \$423,500 in Earnings On Investments, an increase of \$228,800 from the 2009-2010 budget of \$194,700. The increase is due to an increase from the earnings on investments.

Issues and Questions

1. Why is Contract Services-Other Miscellaneous increased \$6.9 million, which is an increase of 25% over the prior year budgeted amount?
2. In the Mayor's Proposed 2010-2011 Budget Miscellaneous Expenses is budgeted to decrease by \$10.4 million. Why is Miscellaneous Expenses expected to decrease this much?
3. The Mayor's 2010-2011 Proposed Budget includes revenue of \$2,541,072 for Miscellaneous Receipts. This is an increase of over \$2 million from the 2009-2010 budgeted amount of \$244,097. What revenues make up this category and why is it expected to increase by such a large amount?
4. In the Mayor's 2010-2011 Proposed Budget revenue from sewage treatment sales retail and wholesale are budgeted to increase by \$11.2 million and \$15.9 million respectively. Why are these two revenues expected to increase?
5. Wastewater Plant Operations revenue was budgeted at \$0 for 2009-2010. In the Mayor's Proposed 2010-2011 Budget the revenue is budgeted at \$432,700. Why the increase from zero?
6. The Mayor's Proposed 2010-2011 Budget includes an increased target for miles of sewers cleaned by DWSD employees from 90 to 200. How does the department plan to achieve this goal with no new employees?

7. When will there likely be a new sludge-hauling contract? Are there any negative consequences to not currently having a contracted sludge-hauler?
8. What is the status of the meter change out to automated meter readings for the Detroit residents? When do you anticipate completion of this project?
9. What type of savings do you foresee with this automated meter reading change?
10. What type of challenges occurred with the automated meter reading change?
11. Are there any changes to the Charter that the DWSD would recommend to improve the department's efficiency?